

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 PA-01 AID-05 SS-15 STR-05 ITC-01

TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 AF-10 EA-10

EUR-12 NEA-10 NSCE-00 USIE-00 INRE-00 SSO-00 /129 W

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O 092032Z NOV 77

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC IMMEDIATE 5205

USMISSIONGENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 MONTEVIDEO 5261

C O R R E C T E D C O P Y (TEXT PARA 2.)

GENEVA FOR MTN

E.O. 11652: GDS

TAGS: ETRD, GATT, MTN, UY

SUBJ: REVIEW OF LOCAL CONTENT REQUIREMENTS

REF: STATE 258716

1. SUMMARY: LOCAL CONTENT REQUIREMENTS AVERAGE AROUND 25 PERCENT. LOCAL US AUTOMOTIVE REP DOUBTS IT WOULD BE POSSIBLE TO LOWER THAT LEVEL. ISSUE COMPLICATED BY CURRENT INTERNAL GOU DEBATE GENERATED BY SERIOUS PROPOSAL TO CUT MAJOR PART OF EXISTING IMPORT PROTECTION. ONLY IF GOU BLUNTS THIS FINAL REFORM MOVE TO PROVIDE PROTECTIVE EXCEPTION FOR SMALL FOREIGN AUTOMOTIVE ASSEMBLY PLANTS WOULD A NEGOTIATED REDUCTION IN LOCAL CONTENT REQUIREMENTS PROVE TO BE A BENEFIT IN US TRADE.
END SUMMARY

2. THE ONLY PRODUCT CATEGORY INVOLVING LOCAL CONTENT REQUIREMENTS IS AUTOMOTIVE VEHICLES. THE VARIOUS VEHICLE CATEGORIES THAT REQUIRE
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LOCAL CONTENT ARE AS FOLLOWS:

CATEGORY (A) TRACTORS: LOCAL CONTENT 32 PERCENT (INCLUDING LABOR AND ASSEMBLY, MANDATORY PARTS (EXTREMELY VARIED), ACCESSORIES AND A PERCENTAGE BASED ON WEIGHT). PER PRESIDENTIAL DECREE 505-76 OR AUGUST 5, 1976, ARTICLE 4. AUTOMOBILE INDUSTRY COMMISSION (CIA) RESOLUTION #67 OF JANUARY 20, 1977.
CATEGORIES (C), (D) AND (E) - AUTOMOBILES: LOCAL

CONTENT 25 PERCENT (SAME CONTENT AS ABOVE).
PER PRESIDENTIAL DECREE 128-70 OF AUGUST 5, 1970,
ARTICLE 36.
CATEGORY (G) - TRUCKS: LOCAL CONTENT 1977, 20 PERCENT;
1978, 22 PERCENT (SAME CONTENT AS ABOVE).
PER PRESIDENTIAL DECREE 506-76 OF AUGUST 5, 1976.
CIA RESOLUTION #62 OF NOVEMBER 25, 1976.
CATEGORY (B) - BUSES: THIS CATEGORY IS LEFT TO THE
DISCRETION OF CIA AND THE BANK OF THE REPUBLIC (BOR).
THE POLICY IS TO PROTECT THE SMALL LOCAL BODY BUILDING
INDUSTRY. BOTH CIA AND THE BOR HAVE TO AGREE ON LIMITED
IMPORTS OF CHASSIS, ENGINES, GEAR BOXES, AND OTHER PARTS,
OR ON IMPORTS OF COMPLETE CHASSIS ASSEMBLIES. THE LOCAL
CONTENT REQUIREMENT IS, THEREFORE, THE VEHICLE BODY,
CERTAIN PARTS AND ACCESSORIES, INCLUDING BATTERIES,
TIRES AND TUBES.
CATEGORY (F) - MOTORCYCLES: (LC DETERMINES IMPORT CHARGE)
LOCAL CONTENT IMPORT SURCHARGE
40 PERCENT 51 PERCENT
45 PERCENT 42 PERCENT
50 PERCENT NS Q 33 PERCENT
55 PERCENTME 24 PERCENT
60 PERCENT 15 PERCENT
PER PRESIDENTIAL DECREE 473-70 OF OCTOBER 1, 1970, ARTICLE 8.
PER PRESIDENTIAL DECREE 1037-73 OF DECEMBER 6, 1973.

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3. LOCAL PLANT MANAGER FOR U.S. AUTOMOTIVE MANUFACTURER
INFORMED EMBOFF THAT IN HIS OPINION NEITHER THE GOU NOR
THE FOREIGN AUTOMOTIVE ASSEMBLING COMPANIES WOULD ACCEPT
A REDUCTION IN LOCAL CONTENT REQUIREMENTS. HE STATED
THAT THE PRESENT AUTOMOTIVE REGIME, WHICH REQUIRES 75
PERCENT OF AUTOMOTIVE PARTS BE IMPORTED (WITH AN EQUAL
AMOUNT OF EXPORTS GENERATED BY THE MANUFACTURING FIRM --
OF ANY KIND) AND 25 PERCENT PRODUCED LOCALLY, COULD NOT
BE MODIFIED. IF THERE WERE SUFFICIENT QUID PRO QUO ON
THE US SIDE TO GENERATE A CHANGE, SUCH AN ARRANGEMENT
WOULD THEN ESSENTIALLY CREATE A SPECIAL AGREEMENT WITH
THE US WHICH URUGUAY'S TRADING PARTNERS IN THE AUTOMO-
TIVE INDUSTRY (ESSENTIALLY ARGENTINA, SOME EXTENT BRAZIL)
WOULD NOT TOLERATE.

4. PRESENTLY, THE US DOES NOT EXPORT AUTO PARTS OR
ACCESSORIES TO URUGUAY. THE LOCAL REP STATED THAT EVEN
IF MODIFICATIONS IN THE LC REQUIREMENTS COULD BE NEGOTI-
ATED HE DOUBTED THAT EXPORTS FROM THE US WOULD BE POTEN-
Tially VIABLE. HE SAW IMPORTS FROM JAPAN INCREASING AT
A RAPID RATE IF PROTECTION BARRIERS WERE TO COME DOWN
APPRECIABLY, AS IS CURRENTLY BEING PROPOSED, GOING AS

FAR AS TO PREDICT AHT THE JAPANESE WOULD BE "DUMPING"

NOTE BY OC/T: FEA TREAT AS ORIGINAL.

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EUR-12 NEA-10 NSCE-00 USIE-00 INRE-00 SSO-00

(ISO) W

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O 092032Z NOV 77

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC IMMEDIATE 5206

USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 2 OF 2 MONTEVIDEO 5261

C O R R E C T E D C O P Y (TEXT)

GENEVA FOR MTN

CARS AND PARTS IN THE MARKET. THIS WOULD RAPIDLY INCREASE IMPORTS AND PRODUCE LOWER PRICES, WHICH WOULD PUT THE LOCAL AUTO ASSEMBLY INDUSTRY OUT OF BUSINESS. THE US INDUSTRY REPRESENTATIVE PREDICTED THAT THE GOU WOULD SEE THIS AS THE END RESULT OF TAKING THE ASSEMBLY INDUSTRY'S PROTECTION AWAY AND BACK OFF FROM REMOVING THAT PROTECTION.

5. IN THE EMBASSY'S VIEW, THE GOU IS ONLY NOW SERIOUSLY FACING THE BASIC STRUCTURAL PROBLEM OF ITS EXCESSIVE PROTECTION, PROPOSING A MAJOR REDUCTION OF SURCHARGES WHICH ARE THE PRINCIPAL BARRIER TO IMPORTATION. THE MINISTER OF ECONOMY AND FINANCE HAS PROPOSED A THREE-YEAR PERIOD OF REDUCTION FROM, IN SOME CASES, SURCHARGES OF SEVERAL HUNDRED PERCENT, DOWN TO A UNIFORM 30 PERCENT FOR GOODS COMPETING WITH NATIONAL PRODUCTION. THE MOST VULNERABLE SECTOR IS PROBABLY THE AUTOMOTIVE

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ASSEMBLY INDUSTRY AND THERE WILL BE STRONG PRESSURES TO PRESERVE HIGH PROTECTION FOR IT EVEN THOUGH LOCAL AUTOMOTIVE PRICES ARE TWO AND THREE TIMES THOSE IN NEIGHBORING COUNTRIES. (THE LOCAL GM AND FORD PLANTS ARE THEIR SMALLEST WORLDWIDE.) FROM A DEVELOPMENTAL STAND-POINT AN TO FOSTER IN THE LONG TERM A MORE OPEN MARKET HERE, PRESENT EXTREMELY HIGH IMPORT BARRIERS PROTECTING THE INDUSTRY SHOULD COME DOWN. WE HAVE GENERALLY SUPPORTED THAT LIBERAL TRADE POINT OF VIEW. CONSEQUENTLY, TO NEGOTIATE FOR A THEORETICALLY LARGER US SUPPLY ROLE FOR THE URUGUAYAN AUTOMOTIVE INDUSTRY WHICH IS DEPENDENT ON CONTINUED HIGH PROTECTION WOULD BE INCONSISTENT. IT WOULD ALSO SEEM TO PUT US IN OPPOSITION TO THE GOU'S LIBERALIZING POLICY THAT ALREADY FACES STRONG INDUSTRY OPPOSITION IN URUGUAY. GIVEN OUR OWN ANNOUNCED LIBERAL TRADE POSTURE IN THE MTN AND THE APPARENTLY MINIMAL CHANCE OF NEGOTIATING THE LCR DOWN, THE EMBASSY RECOMMENDS AGAINST MAKING THE URUGUAYAN LCR A MTN TARGET. PEZZULLO

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Message Attributes

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